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CURRENT INTELLIGENCE WEEKLY SUMMARY

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WEST GERMANY'S LUDWIG ERHARD

West German Economics Minister Ludwig Erhard, the man most spoken of as Chancellor Adenauer's successor, is to visit the United States from 1 to 8 June to receive honorary degrees. More effective as a formulator of economic policy than as an administrator, he has until recently concerned himself with foreign affairs only as they have affected economic questions, and he has been less favorable than Adenauer to French-German cooperation. In the past few weeks, however, he has emphasized his loyalty to Adenauer's policies.

Career

Born in Bavaria in 1897, Erhard fought in World War I and afterwards followed the career of professional economist. In 1933 he became director of a private economic research institute at Nuremberg, but was dismissed in 1942 following a dispute with the mayor of that city. In 1945 he was appointed economic adviser to the American military government in Bavaria. He is married but has no children.

During 1946 Erhard served as Bavarian state minister for economics and later as director of the Money and Credit Office of the Bizonal Economic Administration. It was in this position that he engineered the currency reform of June 1948--an event usually considered as the start of Germany's economic recovery. By 1949 Erhard, a Protestant, had joined the predominantly Catholic Christian Social Union (CSU), the Bavarian affiliate of Adenauer's Christian Democratic Union (CDU). Elected to the Bundestag as a deputy

from Ulm, Erhard was named economics minister by Adenauer in September 1949.

In his ten years as a minister, Erhard has gained considerable international prestige as the "father of Germany's economic miracle"--a title he openly acknowledges. It was not until the 1957 election campaign, however, that Erhard became a serious contender for Adenauer's mantle. A public opinion poll in January 1957 showed Erhard far behind Foreign Minister Brentano as the CDU member most likely to succeed

Adenauer. By October, a month after the election, Erhard had pulled ahead of all CDU candidates in a similar poll.

Erhard took a major part in the electioneering, making almost as many speeches as Adenauer. Writing in an American periodical, Erhard credited the victories of the Adenauer administration "in a large part to the German economic policy."

Next to Adenauer and possibly Defense Minister Strauss, Erhard is probably Bonn's most colorful personality. An extrovert who radiates energy, optimism, and vigor, Erhard is a brilliant public speaker who presents his opinions in a forceful, if not diplomatic manner. He chain smokes enormous cigars and is known in Bonn as a liberal drinker. He is also known for the chaotic way he runs his ministry, and is considered by some observers as too frank and blunt for international diplomacy.

Adenauer has told close associates that Erhard is a "bad administrator" who would "muddle everything" as chancellor. Erhard's



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opponents also argue that because of these characteristics, he will lose his popular appeal once he is subject to the attacks of the opposition party over his handling of foreign policy. Erhard's supporters, however, feel he will be more inclined than Adenauer toward cooperation with the opposition parties.

Adenauer still prefers Finance Minister Etzel as his successor but Erhard has the backing of the rank and file of the Christian Democratic Union. About 200 out of 270 Bundestag deputies favor Erhard's candidacy. Aware of the need to replace Adenauer with a strong vote-getter for the 1961 elections, the party supports Erhard as the only CDU member with sufficient public appeal to fill this role.

Political Views

Operating under the shadow of Adenauer's leadership, Erhard has been noticeably reticent in commenting on foreign affairs. In his few public statements on international politics he has generally endorsed German membership in NATO, German rearmament, and European integration. Since Adenauer's decision on 7 April to run for the presidency, Erhard has made more frequent references to foreign affairs. In an obvious bid to reassure potential supporters, he told foreign correspondents recently that "the loyalty between the chancellor and me resulted from agreement in our assessment of the political situation, above all the foreign political situation."

In recent speeches Erhard has supported the government's attack on the Social Democratic party's proposals for German unification, calling them "deadly dangerous"; he has, however, indicated a desire to increase technical contacts with East

VIEWS OF LUDWIG ERHARD

ON RELATIONS WITH THE UNITED STATES

The free people of Europe will be able to maintain their value and influence in the world only if, supported by the friendship of the United States and in close cooperation with that power, they succeed in the realization of an indivisible political community. (1957)

ON AMERICAN AID

"For all Germany it is axiomatic...that United States foreign aid put into our hands the chief key to open the gates to world markets. It is no accident that the recovery of our production and foreign trade since June 1948 dated almost entirely from the institution of the Marshall plan." (1952)

ON EAST-WEST TRADE

"The decay of East-West trade has raised problems affecting the whole of Europe and causing particular injury to West Germany. The Federal Republic's trade with the East has been severely hampered by the embargo lists, which in many instances affect it more adversely than they do the trade of other European countries." (1952)

ON FOREIGN DEVELOPMENT

"To the best of our ability, we are obliged to contribute substantially to such economic progress on the part of the populous territories of Asia and Africa." (1959)

ON GERMAN COOPERATION

"Between democracy and dictatorship, between a collective order based on force and a free social order...there is no solution in the sense of finding the ethical mean." (1959)

ON THE COMMON MARKET

I am ready to make great efforts to ensure that our economic aims will also serve a political aim; nevertheless I always warned that the establishment of the European Economic Community must not result in dividing the European nations which still live in freedom...The EEC is justified only if the cooperation of Western Europe is to be a hostile bloc is avoided by instituting a free trade area bigger than the original six. (1957)

Germany. Erhard favors free elections as a necessary condition for unification while leaving open the question of the timing of such elections in the unification process.

In general he has attempted to assert his identity with the principles of Adenauer's policies -- "our political, cultural, economic, and religious principles are unchangeable" -- but has emphasized that the "speech and tactics" might be different. Referring to current East-West negotiations, Erhard has expressed hope for a military and political rapprochement as well as increased economic contacts.

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The major difference between Erhard and Adenauer appears to be the question of the future direction of European integration. Adenauer views the consolidation of "little Europe" as a means of solidifying understanding between Paris and Bonn. In a cool interview between the two men the day following Adenauer's acceptance of the presidential nomination, Erhard told Adenauer that French "economic plans" were more "dangerous" than British security plans.

Erhard has been lukewarm toward creating European institutions, which he considers a proliferation of bureaucracy. For him, the Common Market is only a step toward a wider free trade area. He has been highly critical of German compromises on this question for the benefit of France. He was openly disdainful of the economic chaos in France during the Fourth Republic, and shortly after De Gaulle's accession to the presidency Erhard dismissed him as a "French fascist."

In his most recent book, Erhard described the negotiations for the creation of the Common Market as eminently an economic problem, "which belongs to the immediate competence of technical experts, namely the Economics Ministry." In the same book he said the idea that foreign trade was a servant or instrument of foreign policy belongs to the thought processes of the past. However, in the Bundestag debate on the ratification of the Common Market treaty, Erhard admitted that political considerations were "overriding reasons" for its adoption even though he remained critical of the economic features of the treaty.

Economic Policies

Erhard's economic views and policies are well known. He is an opponent of cartels, long-term government subsidies, increased defense spending, and other moves which might contribute to inflation. Over the past year, he has been won over to an increased German role in foreign economic activities. As a result of an extensive tour throughout the Far East, India, and the Middle East, Erhard has promoted the idea of increased government guarantees for private German investment abroad. On his most recent trip abroad--to Iran--he negotiated German credits for over \$100,000,000 for Iranian pipeline construction and building of a steel foundry. He has strongly supported Bonn's participation in multilateral aid for countries in the free world.

In keeping with his free-trade philosophy, Erhard has been critical of restrictions on shipments of strategic goods to the Soviet bloc. He feels that German trade with the bloc has become "distorted" since 1945, and feels that this is an area with which Germany should seek to increase economic contacts.

Erhard has been in almost continuous conflict with Defense Minister Strauss over establishment of a German armaments industry. He opposes creation of a German capacity to produce a wide range of weapons, on the ground that the capital for such an investment is urgently needed in other sectors of the economy. In one of his books published in 1957, Erhard suggested the creation of a European armaments pool, with each nation specializing in certain weapons. Recently,

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however, he appears to have become reconciled to government support for a German armaments industry.

The Chancellorship

Should Erhard become chancellor, there would be no immediate shift in German policy. As president, Adenauer's influence over foreign policy would be diminished. Neither he nor Erhard would be likely to challenge the other openly, but in a showdown over policy, Erhard's views would probably prevail.

Bundestag President Gerstenmaier, one of the leading opponents of Adenauer's foreign policy tactics, would probably occupy an influential position in an Erhard government. Erhard and Gerstenmaier, also a Protestant, have been close political associates for years, and Adenauer has described Gerstenmaier as the "evil spirit" behind Erhard. Gerstenmaier

played a key role in convincing Erhard he should refuse the nomination for the presidency last February, arguing that this was an Adenauer maneuver to force Erhard out of active politics.

As chancellor, Erhard would probably resemble Adenauer in depending on close friends and old political cronies, rather than the cabinet, for political advice. Some political observers are already forecasting that an Erhard chancellorship would be a short one. They argue that any Adenauer successor will be compared with the Adenauer "myth" rather than evaluated on specific policy accomplishments. In this atmosphere minor mistakes would be magnified, and political opponents within the CDU would be encouraged to criticize and oppose government policy. In any case, German policy is likely to be in general less predictable. (SECRET)